PROJECT FUNDING REQUEST

BOARD DATE: January 16, 2020 TEAM MANAGER: Dain Larsen

APPLICANT	Green Valley Special Utility District
TYPE OF ASSISTANCE	$24,985,000 Financing
LEGAL PLEDGE	First Lien on the Net Revenues of the Waterworks and Wastewater System

STAFF RECOMMENDATION

☒ Approve ☐ No Action

ACTION REQUESTED

Approve by resolution a request from Green Valley Special Utility District (Guadalupe County) for $24,985,000 in financing from the Clean Water State Revolving Fund for the planning, acquisition, design, and construction of wastewater system improvements.

PROJECT

2019 Santa Clara Creek No. 1 WWTP and Collection System
Project Number 73857

BACKGROUND

Green Valley Special Utility District (District) provides water service to an area primarily east of the City of Cibolo between San Antonio and New Braunfels. The District has executed two contracts to provide wastewater service to this service area and is finalizing three additional contracts for this rapidly expanding area. Approximately 2,000 new connections and an industrial user will be provided service beginning in 2020, with build-out of this phase by 2026. The District does not currently own a wastewater treatment plant. However, the District is currently permitted to treat up to 0.25 million gallons of wastewater per day.

The proposed project is to construct a wastewater treatment plant and collection system near the intersection of Interstate 10 and Linne Road. This is the first of two phases and includes the construction of a 0.25 million gallons per day package treatment plant, lift station, 12-inch force main, 24 to 42-inch gravity collection system, and site improvements. The District anticipates two additional future phases. Their board recently authorized the planning for an expansion of the wastewater treatment plant to 0.625 million gallons and anticipates a final phase to 1.25 million gallons daily needed after 2030.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE JANUARY 31, 2021.

FINANCIAL

Key Issues

The pro forma included in this analysis does not include current or projected water impact fees or contributions from developers from the project. TWDB's more heavily weighted quantitative risk rating criteria are based on historical indicators, which may distort a high growth applicant's risk and/or ability to pay in the future. This more conservative approach evaluates the applicant's ability to repay should the growth stop, slow down, or not occur. While the TWDB projects rate increases for the District based on this more conservative, no-growth approach, the applicant anticipates nominal rate increases due to the growing customer base and utilization of accumulated impact fees, but considered in the assignment of the risk score.

The District's impact fees totaled $3.3 million in 2018 with a three-year average of $3 million annually. These non-operating revenues are projected to increase to $4.5 million annually by 2025 with both increased connections and increases to the impact fees. Currently, the District charges $4,600 per connection at the time a new meter is set, and plans to increase it to $5,490 in 2020. The District also collects a "contribution in aid of construction" fee at the time of platting a subdivision, which is equivalent to $4,540 per connection.

The impact fees are restricted and only available for repayment of debt service of infrastructure projects. The repayment and timing of these fees is determined by the development service agreements, but are made available to all outstanding loans, which includes the TWDB and United State Department of Agriculture. The District has collected $1.8 million in contributions in aid of construction funds, which have been collected from the current 420 equivalent dwelling units that have been platted for the industrial project. This amount is sufficient to pay for the proposed debt service through 2022, the first year of principal repayment. It has been the practice of the TWDB to not include projected non-operating revenues or reserves in financial projections, so these fees have been omitted from all calculations.

Pledge and Repayment

The District is pledging first lien net revenues of the waterworks and wastewater system for the repayment of the proposed debt service. The District's current average monthly water bill is $65.53. The projected average monthly bill for wastewater service is $31.95 beginning in 2020. Based on current net revenues of the water system only, and a no-growth scenario where none of the new wastewater and water connections are added, the District would need to increase the average monthly water bill by approximately $6.79 in 2020 with a maximum increase of $12.63 in 2029, which is illustrated in the attached debt service schedule.

However, in 2020 the project will add both an industrial user and residential connections equivalent to the usage of 420 households. By 2026, this increases to 2,526 total connections. Based on current estimates for operating expenses of the new wastewater system, these new connections will generate approximately $895,575 annually in net revenues from water and wastewater system charges only, which is approximately 95 percent of the additional average annual debt service of the project.

<u>Cost Savings</u>
Based on a 30-year maturity and current interest rates, the District could save approximately $6,661,822 over the life of the financing.

<u>Internal Risk Score</u>
Staff assigns a 2B to the District, and the proposed project to be funded by the Texas Water Development Board. This means that the District's payment capacity is adequate.

The results of the District's financial sustainability indicators are weak. These more heavily weighted risk score indicators show the District's short-term and long-term ability to repay the debt. The pledged revenues available for debt service provide a low coverage ratio, representing 0.15 times the current and proposed debt service in the first year of principal repayment. Although, the District's level of reinvestment in the assets of the utility's infrastructure is high with as asset condition ratio of 30 years. An asset condition ratio of 12 to 24 years is considered typical.

The District's socioeconomic indicators are better than the state overall. The District's population has increased at an average annual rate of 2.36 percent since 2010, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. The District's median household income is $62,350, 109 percent of the median for the state overall. The average, unadjusted, unemployment rate for the District was 2.8 percent in October 2019 compared to 3.3 percent in the state overall, and the national rate of 3.3 percent.

The household cost factor compares the annual cost of water and wastewater services, including any anticipated rate increases required to pay the proposed debt, to the median household income for the service area. The District's household cost factor is 1.50 percent for the existing water service. The District's projected household cost factor is 2.12 percent which includes the water service, the proposed average wastewater service bill, and the projected rate increase. The industry benchmark for the household cost factor is 1 percent for one service and 2 percent for two services.

The utility system self-supporting debt compared to current operating revenues, including the proposed loan, is moderate at 4.36. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems.

The system maintains strong reserves with unrestricted cash and short-term investments of approximately 205 days of the operating expenses of the utility system. This is considered to be a moderately high level of liquidity. Any amount between 30 and 150 days is considered to be a moderate level of liquidity. In recent years the District has utilized cash reserves to fund projects rather than assume additional debt, and to pay for professional services for the proposed project. Despite the high level of current reserves, the trend showing a significant decline in cash reduced the District's risk score. The trend is not expected to continue because the proposed financing allows the District to use long-term debt instead of unrestricted cash reserves for the proposed project. The decline in cash reserves is for unrestricted cash, not the previously described impact fees that are restricted to infrastructure projects.

The current net operating revenues of the utility system are low relative to the proposed debt. However, this risk is mitigated by the District collecting substantial non-operating revenues in the form of impact fees and developer contributions, and the size of the existing system is large enough that an increase to the average monthly water bill of less than $15 would provide sufficient revenues for debt service in a no-growth scenario. The socioeconomic indicators for the District's service area are better than the state overall and suggest additional stability of the District's long-term repayment capacity. The District maintains a high level of liquidity, moderate debt level debt, and affordable system rates. However, due to the low ratio of current operating revenues to proposed debt service, the prior trend of declining unrestricted cash reserves, and the lack of an additional source of repayment in the form of tax revenues, the District is assigned a risk score of 2B.

LEGAL

Key Issues

None.

Conditions

Standard Clean Water State Revolving Fund, tax-exempt, and tax and surplus net revenue conditions and further conditioned as follows:

- Alternative additional bonds test, 1.20 times coverage.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (20-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	Green Valley Special Utility District
Program	Clean Water State Revolving Fund
Commitment Code	L1001085
Project Number	73857
Intended Use Plan Year	2020
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	$24,985,000 Green Valley Special Utility District Water And Wastewater Revenue Bonds, Proposed Series 2020
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	38,871
Rural	No
Water Connections	13,040
Wastewater Connections	0
Qualifies as Disadvantaged	No
State Revolving Fund Type	Equivalency
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Team Manager	Dain Larsen
Financial Analyst	Ty Morton
Engineering Reviewer	David Firgens
Environmental Reviewer	Kristin Miller
Attorney	Alexis Lorick

Attachment 2

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Green Valley SUD

$24,985,000 Green Valley Special Utility District Water and Wastewater System Revenue Bonds, Proposed Series 2020

Dated Date:	**3/15/2020**	**Source:**	**CWSRF-EQUIVALENCY**
Delivery Date:	**3/15/2020**	**Rate:**	**0.85%**
First Interest:	**9/15/2020**	**IUP Year:**	**2020**
First Principal	**3/15/2022**	**Case:**	**Revenue**
Last Principal:	**3/15/2049**	**Admin.Fee:**	**$429,717**
Fiscal Year End:	**09/30**	**Admin. Fee Payment Date:**	**3/15/2020**
Required Coverage:	**1.0**		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$24,985,000 ISSUE PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2020	$2,317,141	$1,296,652	-	0.85%	$106,186	$106,186	$1,402,838	1.65
2021	2,317,141	1,299,897	-	0.85%	212,373	212,373	1,512,269	1.53
2022	2,317,141	1,301,342	$795,000	0.85%	208,994	1,003,994	2,305,336	1.01
2023	2,317,141	1,302,977	800,000	0.85%	202,215	1,002,215	2,305,192	1.01
2024	2,317,141	1,307,724	810,000	0.85%	195,373	1,005,373	2,313,097	1.00
2025	2,317,141	1,307,560	815,000	0.85%	188,466	1,003,466	2,311,026	1.00
2026	2,317,141	1,311,482	820,000	0.85%	181,518	1,001,518	2,313,000	1.00
2027	2,317,141	1,308,431	830,000	0.85%	174,505	1,004,505	2,312,936	1.00
2028	2,317,141	1,310,631	835,000	0.85%	167,429	1,002,429	2,313,060	1.00
2029	2,317,141	1,311,853	845,000	0.85%	160,289	1,005,289	2,317,141	1.00
2030	2,317,141	1,311,070	850,000	0.85%	153,085	1,003,085	2,314,155	1.00
2031	2,317,141	1,310,301	855,000	0.85%	145,839	1,000,839	2,311,140	1.00
2032	2,317,141	1,308,447	865,000	0.85%	138,529	1,003,529	2,311,976	1.00
2033	2,317,141	1,315,637	870,000	0.85%	131,155	1,001,155	2,316,792	1.00
2034	2,317,141	1,310,279	880,000	0.85%	123,718	1,003,718	2,313,997	1.00
2035	2,317,141	1,309,908	885,000	0.85%	116,216	1,001,216	2,311,124	1.00
2036	2,317,141	1,308,188	895,000	0.85%	108,651	1,003,651	2,311,839	1.00
2037	2,317,141	1,310,242	900,000	0.85%	101,023	1,001,023	2,311,264	1.00
2038	2,317,141	1,300,956	910,000	0.85%	93,330	1,003,330	2,304,286	1.01
2039	2,317,141	1,305,854	915,000	0.85%	85,574	1,000,574	2,306,428	1.00
2040	2,317,141	1,303,856	925,000	0.85%	77,754	1,002,754	2,306,609	1.00
2041	2,317,141	1,090,503	935,000	0.85%	69,849	1,004,849	2,095,351	1.11
2042	2,317,141	1,087,179	940,000	0.85%	61,880	1,001,880	2,089,059	1.11
2043	2,317,141	699,045	950,000	0.85%	53,848	1,003,848	1,702,893	1.36
2044	2,317,141	667,770	955,000	0.85%	45,751	1,000,751	1,668,521	1.39
2045	2,317,141	667,770	965,000	0.85%	37,591	1,002,591	1,670,361	1.39
2046	2,317,141	667,770	975,000	0.85%	29,346	1,004,346	1,672,116	1.39
2047	2,317,141	667,770	980,000	0.85%	21,038	1,001,038	1,668,808	1.39
2048	2,317,141	667,770	990,000	0.85%	12,665	1,002,665	1,670,435	1.39
2049	2,317,141	667,770	995,000	0.85%	4,229	999,229	1,666,999	1.39
		$34,336,629	$24,985,000		$3,408,415	$28,393,415	$62,730,044	

AVERAGE (MATURITY) LIFE	**16.05 YEARS**
NET INTEREST RATE	**0.850%**
COST SAVINGS	**$6,661,822**
AVERAGE ANNUAL REQUIREMENT	**$2,091,001**

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.

Texas Water Development Board

Green Valley SUD
73857 2019 Santa Clara Creek No. 1 WWTP and Collection System
Engineering and Environmental Review

Engineering:

Key Issues:

None.

Project Need/Description

Project Need: Green Valley Special Utility District (District) provides water service to an area primarily east of the City of Cibolo between San Antonio and New Braunfels, Texas. The District has executed contracts to provide wastewater service and is finalizing additional contracts for this rapidly expanding area. Approximately 2,000 new connections and an industrial user will be provided service by 2026. The District does not currently own a wastewater treatment plant. However, the District is permitted to treat up to .25 million gallons of wastewater per day.

Project Description: The District proposes to construct a wastewater treatment plant and collection system near the intersection of Interstate 10 and Linne Road. This is the first of two phases and includes the construction of a 0.25 million gallons per day package treatment plant, lift station, 12-inch force main, 24 to 42-inch gravity collection system, and site improvements.

Project Schedule:

Project Task	**Schedule Date**
Closing	3/15/2020
Engineering Feasibility Report Completion (End of Planning Phase)	12/31/2019
Design Phase Complete	3/1/2020
Start of Construction	5/1/2020
Construction Completion	4/30/2021

Environmental Section:

Key Issues:

None.

Environmental Summary:

Consistent with the requirements of 31 Texas Administrative Code § 375.61, funding for design, acquisition, and construction of specific project elements will not be released until an environmental review has been completed and a favorable environmental determination has been issued.

Texas Water Development Board

Project Budget Summary

Green Valley SUD

73857 - 2019 Santa Clara Creek No. 1 WWTP and Collection System

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	$19,598,500	$451,900	$20,050,400
Subtotal for Construction	**$19,598,500**	**$451,900**	**$20,050,400**
Basic Engineering Services			
Construction Engineering	$351,580	$0	$351,580
Design	$505,350	$0	$505,350
Planning	$349,410	$0	$349,410
Subtotal for Basic Engineering Services	**$1,206,340**	**$0**	**$1,206,340**
Special Services			
Application	$12,000	$0	$12,000
Environmental	$103,468	$0	$103,468
Geotechnical	$38,250	$0	$38,250
Inspection	$138,500	$0	$138,500
O&M Manual	$4,000	$0	$4,000
Permits	$2,500	$0	$2,500
Project Management (by engineer)	$43,000	$0	$43,000
Surveying	$193,000	$0	$193,000
Subtotal for Special Services	**$534,718**	**$0**	**$534,718**
Fiscal Services			
Bond Counsel	$102,500	$0	$102,500
Financial Advisor	$390,391	$0	$390,391
Fiscal/Legal	$15,000	$0	$15,000
Loan Origination Fee	$429,717	$0	$429,717
Subtotal for Fiscal Services	**$937,608**	**$0**	**$937,608**
Other			
Land/Easements Acquisition	$300,705	$0	$300,705
Subtotal for Other	**$300,705**	**$0**	**$300,705**
Contingency			
Contingency	$2,407,129	$0	$2,407,129
Subtotal for Contingency	**$2,407,129**	**$0**	**$2,407,129**
Total	$24,985,000	$451,900	$25,436,900

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE
IN THE AMOUNT OF $24,985,000 TO THE
GREEN VALLEY SPECIAL UTILITY DISTRICT
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
$24,985,000 GREEN VALLEY SPECIAL UTILITY DISTRICT
WATER AND WASTEWATER REVENUE BONDS,
PROPOSED SERIES 2020

(20 -)

WHEREAS, the Green Valley Special Utility District (District), located in Guadalupe County, has filed an application for financial assistance in the amount of $24,985,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, design and construction of certain wastewater system improvements identified as Project No. 73857; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of $24,985,000 Green Valley Special Utility District Water and Wastewater Revenue Bonds, Proposed Series 2020 (together with all authorizing documents, (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the District has offered a pledge of a first lien on the net revenues of the District's water and wastewater systems as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 375.14; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;

2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq*., as well as state law, in accordance with Texas Water Code § 15.607;

3. that the District has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;

4. that the District has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;

NOW THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the Green Valley Special Utility District for financial assistance in the amount of $24,985,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of $24,985,000 Green Valley Special Utility District Water and Wastewater Revenue Bonds, Proposed Series 2020. This commitment will expire on January 31, 2021.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;

2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the District;

3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 375;

4. the Obligations must provide that the District agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;

5. the Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;

6. the District, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the District's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners

of the District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;

7. the Obligations must contain a provision requiring the District to levy a tax and/or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;

8. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the District to submit a final accounting and disposition of any unused funds;

9. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved by the Executive Administrator;

10. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;

11. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;

12. loan proceeds shall not be used by the District when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. prior to closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an

interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;

14. prior to closing, and if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;

15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

16. the Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related to Tax-Exempt Status

17. the District's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the District when rendering this opinion;

18. the District's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;

19. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);

20. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:

a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;

b. amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and

c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

21. the Obligations must include a provision requiring the District take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the District will:

a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;

b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings thereunder. The District shall maintain a copy of such calculations for at least six years after the final Computation Date;

c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;

d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;

22. the Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;

23. the Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code;

24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;

25. the Obligations must contain a provision that the District will refrain from using from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);

26. the transcript must include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;

27. the Obligations must provide that neither the District nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the District by the TWDB;

<u>State Revolving Fund Conditions</u>

28. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;

29. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole

or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of $2,000 the contracts clauses as provided by the TWDB;

30. the Obligations must include a provision stating that the District shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;

31. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the District will adhere to the approved project schedule;

32. the Obligations must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;

33. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq*. related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;

34. the District shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

<u>Clean Water State Revolving Fund Conditions</u>

35. the District shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;

36. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;

37. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

38. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)–(C), the District must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq* and 33 U.S.C. § 1382(b)(14).

<u>Pledge Conditions for the Loan</u>

39. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;

40. if the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

41. the Obligations must contain a covenant that the District may not issue additional parity bonds unless:

    a. the District deposits to the credit of the interest and sinking fund at least such amounts as are required for the payment of all principal of and interest on said additional parity bonds then being issued, as the same come due; and that the aggregate amounts to be accumulated and maintained in the reserve fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirement of all bonds and additional bonds which will be outstanding after the issuance and delivery of the then proposed additional bonds; and that the required additional amount shall be so accumulated by the deposit in the reserve fund of pall or any part of said required additional amount in cash immediately after the delivery of the then proposed additional bonds, or, at the option of the issuer, by the deposit of said required additional amount (not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the delivery of the then proposed additional bonds, of not less than 1/120th of said required additional amount (or 1/120th of the balance of said required additional amount not deposited in cash as permitted above.)

b. that all calculations of average annual principal and interest requirements made pursuant to this section shall be made as of and from the date of the additional parity bonds then proposed to be issued.

c. that the principal of all additional parity bonds must be scheduled to be paid or mature on September 15 of the year in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on March 15 and September 15.

d. no installment, series or issue of additional parity bonds shall be issued or delivered unless:

(1) The Board President and Secretary of the Issuer sign a written certificate to the effect that the District is not in default as to any covenant, condition, or obligation in connection with all outstanding bonds and additional parity bonds, and the orders authorizing same, and that the interest and sinking fund and the reserve fund each contain the amount then required to be therein.

(2) An independent certified public accountant, or independent firm of certified public accountants, signs a written certificate to the effect that, during the next preceding fiscal year, prior to the passage of the order authorizing this issuance of the then proposed additional parity bonds, the net water system revenues were, in her or its opinion, at least equal to 1.20 times the average annual principal and interest requirements of all outstanding bonds and additional bonds, if any, and the proposed additional parity bonds.

(3) The Order authorizing the issuance of the installment or series of additional parity bonds provides that the aggregate amount to be accumulated and maintained in the reserve fund shall be increased by an additional amount not less than the average annual principal and interest requirement for said additional parity bonds, and that such additional amount shall be so accumulated within 120 months from the date of the additional parity bonds, by the deposit in the reserve fund of the necessary sums in equal monthly installments; provided, however, that the aggregate amount to be accumulated in the reserve fund shall never be required to exceed the average annual principal and interest requirements for all bonds and additional parity bonds; and

(4) That all calculations of average annual principal and interest requirements made pursuant to this section are made as of and from the date of the additional parity bonds then proposed to be issued.

e. Not withstanding subsection (d) of this section, additional parity bonds may be issued to refund any series of outstanding additional parity bonds without complying with the coverage certifications described in this Section.

APPROVED and ordered of record this 16th day of January, 2020.

TEXAS WATER DEVELOPMENT BOARD

____

Peter M. Lake, Chairman

DATE SIGNED: ______________________

ATTEST:

____

Jeff Walker, Executive Administrator

☐ Water
☑ Wastewater
☐ Other

Attachment 6

WATER CONSERVATION REVIEW

Entity: Green Valley SUD

Review date: October 2019

WATER CONSERVATION PLAN DATE: 2019 ☐ **Approvable** ☑ **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline	93	90	18	19
5-year Goal	91	89	15	16
10-year Goal	89	88	13	15

WATER LOSS AUDIT YEAR: 2018

Total water loss (GPCD): 18
Total water loss (percent): 20
Wholesale Water ☐
Total no. of connections: 13,330
Length of mains (miles): 454
Connections per mile: 29

If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (*ILI*): 2.6

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :	NA	NA	NA	NA	NA	NA
If population ≤ 10K, connections/mile ≥ 32 :	NA	NA	NA	NA	NA	NA
If population > 10K :	NA	NA	NA	NA	NA	NA

Does the applicant meet Water Loss Threshold requirements? Yes ○ No ○ NA ◉

ADDITIONAL INFORMATION:

The overall goals presented in the district's water conservation plan are to ensure that demand for water does not exceed the amount of treated water available, provide the public with information to encourage water conservation, decrease wasteful practices, and limit peak water use during the summer months. The district encourages a variety of conservation practices, including: off-peak time-of-day irrigation, the retrofit of existing fixtures with water-saving fixtures, and the use of water-wise and alternative landscaping. In addition, the district utilizes a SCADA (supervisory control and data acquisition) system to monitor equipment performance. With these conservation measures the district aims to improve water use efficiency and reduce real water loss.

STAFF NOTES AND RECOMMENDATIONS:

In accordance with 31 TAC §358.6(f), review of a retail public utility’s water loss in conjunction with an application for financial assistance is limited to water supply projects. This application for financial assistance is for a wastewater project; therefore, water loss thresholds are not applicable.

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

Infrastructure Leakage Index (ILI) is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

NA means not applicable.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

Total water loss is the sum of the apparent and real water losses.

Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

Green Valley SUD
Guadalupe County